

## Message Text

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14-12

ORIGIN EB-07

INFO OCT-01 EUR-12 NEA-09 IO-10 ISO-00 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 PCH-02 /110 R

DRAFTED BY EB/OT/GCP - DTMORRISON

APPROVED BY EB/OT/GCP - DDUNFORD

EUR/IB:EROWELL

EB:PMCGONAGLE (PARA 6)

AGRICULTURE:RHARPER (INFO)

COMMERCE:AGARCIA(INFO)

LABOR:BWHITE (INFO)

STR - BSTEINBOCK (INFO)

TREASURY - JJOHNSON(INFO)

----- 096808

R 172156Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY MADRID

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

AMEMBASSY LISBON

AMEMBASSY ATHENS

AMEMBASSY NICOSIA

AMEMBASSY ANKARA

AMEMBASSY TEL AVIV BY POUCH

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E.O. 11652: N/A

TAGS: ETRD, SP

SUBJECT: SPAIN AND GSP

REF: (A) STATE 35855 (B) MADRID A-32 (2/14/75)

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1. SPANISH ECONOMIC COUNSELOR SIERRA CALLED ON DEPTOFF ON MARCH 5 TO REVIEW ECONOMIC ISSUES RELATING TO QUESTION OF SPAIN'S ELIGIBILITY TO RECEIVE GSP BENEFITS WITHIN THE TERMS OF TITLE V PROVISIONS OF THE TRADE ACT. SIERRA MADE CLEAR THAT POLITICAL ISSUES WILL BE TAKEN UP SEPARATELY BY SPANISH AMBASSADOR AT APPROPRIATE HIGHER LEVEL.

2. SIERRA REPEATED AND EMPHASIZED POINTS MADE IN SPANISH NOTE VERBAL (REF B) WITH RESPECT TO DEVELOPMENT STATUS AND PREFERENCES ACCORDED TO THE EC. SIERRA NOTED PRESENT INCLUSION IN LIST A OF SEVERAL COUNTRIES--SPECIFICALLY ARGENTINA, THE PHILIPPINES, MEXICO AND SINAGPORE--WITH

HIGHER LEVEL OF DEVELOPMENT BY MANY INDICATORS, INCLUDING HIGHER PER CAPITA GNP, THAN SPAIN PRESENTLY ENJOYS. SIERRA ALSO STRESSED THE LEGITIMACY OF SPAIN'S ECONOMIC ASSOCIATION WITH THE EC AND REASSERTED THAT IT HAS NO SIGNIFICANT ADVERSE EFFECT ON US COMMERCE. AS EVIDENCE OF THE LATTER CLAIM, SIERRA NOTED THE EXCEPTIONAL GAINS THE US HAS MADE IN THE SPANISH MARKET

DURING THE PERIOD OF SPAIN'S ASSOCIATION WITH THE EC.

3. DEPTOFF REPLIED THAT DIFFERING VIEWS ARE HELD WITHIN THE USG ON WHAT CRITERIA SHOULD BE USED IN INTERPRETING THE SECTION 502(C)2 PROVISIONS OF THE TRADE ACT RELATED TO DEVELOPMENT STATUS. LOGICALLY IT WOULD SEEM BEST IN THE CASE OF SPAIN AND OTHER COUNTRIES WHOSE DEVELOPMENT STATUS IS AT ISSUE TO DECIDE THIS QUESTION BEFORE GOING ON TO CONSIDER THE IMPLICATIONS OF PREFERENCES ACCORDED TO THE EC. AS A PRACTICAL MATTER, HOWEVER, THESE TWO ISSUES ARE NOT EASILY SEPARABLE BECAUSE OF THE POSSIBLE CONCLUSION THAT EC ASSOCIATION COULD ITSELF BE AN INDICATOR OF DEVELOPMENT. AS A CONSEQUENCE, THE USG IS PROCEEDING WITH ANALYSIS OF THE SIGNIFICANCE OF PREFERENCES ACCORDED THE EC BY SPAIN, PORTUGAL, GREECE, CYPRUS, AND TURKEY BEFORE ANY DECISION HAS BEEN REACHED ON DEVELOPMENT STATUS. ISRAEL, ON WHOSE BEHALF THE SECTION 502(B)3 LIMITED OFFICIAL USE

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LANGUAGE WAS SOFTENED BY THE CONGRESSIONAL COMMITTEES, STILL FACES THE NECESSITY OF ASSURING THAT ANY SIGNIFICANT ADVERSE EFFECT OF PREFERENCES IS ELIMINATED PRIOR TO JANUARY 1, 19776.

4. US ANALYSIS OF THE TRADE IMPACT OF PREFERENCES ACCORDED THE EC WILL HAVE AS A SPECIFIC FOCUS THE ANTICIPATED EFFECT OF THESE PREFERENCES ON PARTICULAR

US EXPORTS. IN THE CASE OF BOTH SPAIN AND ISRAEL, THE PRESUMPTION OF ADVERSE EFFECT ARISES FROM PRIOR GATTARTICLE XXIII CONSULTATIONS ON THE EFFECTS OF SUCH DISCRIMINATION AGAINST US EXPORTS. IN REPLY TO SIERRA'S INQUIRY ABOUT WHICH PRODUCTS CONCERN THE USG, DEPTOFF REPLIED THAT AN ANSWER WOULD HAVE TO AWAIT THE OUTCOME OF ANALYSIS NOW BEING DONE. SOME INDICATION MIGHT BE FOUND, HOWEVER, IN A REVIEW OF THE LIST OF PRODUCTS SUPPLIED TO GOS BY DEPUTY ASST SECY RENNER AND AMB. MALMGREN DURING 1973 ARTICLE XXIII CONSULTATIONS. (FYI A COPY OF THE LIST WAS DELIVERED TO SIERRA MARCH 10. END FYI)

5. DEPTOFF REITERATED USG CONCERN (REF A) THAT GSP DESIGNATION SHOULD NOT LEAD TO DIMINISHED PARTICIPATION IN THE MTN. HE ALSO SUGGESTED THAT A GENERAL WILLINGNESS TO OFFSET SIGNIFICANT ADVERSE EFFECTS OF EC-SPAIN AGREEMENT WHERE THEY ARE IDENTIFIED, AS OPPOSED TO FLAT ASSERTION OF THEIR ABSENCE, WOULD PROVE HELPFUL IN ADVANCING CLAIM FOR ENTITLEMENT TO GSP BENEFITS UNDER THE US SCHEME.

6. ON MARCH 11, SPANISH AMBASSADOR HANDLED TO ASST SECY ENDERS FURTHER WRITTEN EXPLANATION OF GOS CLAIM

TO INCLUSION UNDER US GSP. COPY POUCHED. ARGUMENTS PARALLEL CLOSELY THOSE MADE IN GOS NOTE VERBAL OF 2/10/75 AND THOSE REPORTED ABOVE. STRONG STRESS IS GIVEN TO GOS ASSERTION THAT SPAIN-EC "INVERSE PREFERENCES" WILL NOT HAVE A SIGNIFICANT ADVERSE EFFECT ON US EXPORTS. US RESPONSE TO SUBSTANCE OF GOS ARGUMENT WILL AWAIT COMPLETION OF ANALYSIS NOW GOING FORWARD ON DEVELOPMENT STATUS AND PREFERENCES LIMITED OFFICIAL USE

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ACCORDED THE EC AS THESE RELATE TO GSP ELIGIBILITY OF A NUMBER OF COUNTRIES WHICH REMAIN WITH SPAIN ON LIST B AS POTENTIAL BENEFICIARIES. INGERSOLL

NOTE BY OC/T: POUCHED TEL AVIV.

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## Message Attributes

**Automatic Decaptioning:** X  
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**Concepts:** TRADE LAW, GENERALIZED PREFERENCES (TARIFFS)  
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**Draft Date:** 17 MAR 1975  
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**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
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**Disposition Comment:** 25 YEAR REVIEW  
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